

## Message Text

LIMITED OFFICIAL USE

PAGE 01 LONDON 13162 01 OF 02 201708Z

45

ACTION EUR-12

INFO OCT-01 ISO-00 L-03 SEC-01 EB-07 COME-00 /024 W

----- 066915

R 201655Z AUG 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4758

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 13162

E.O. 11652: N/A

TAGS: SEC, UK

SUBJECT: SEC INTEREST IN MARITIME FRUIT CARRIERS CO.,  
LTD. AND UNIVERSAL GAS AND OIL CO., INC.

REF: STATE 202310

SUMMARY: EMBASSY HAS DISCUSSED SITUATION OF COMPANIES OF MARITIME FRUIT CARRIERS (MFC) GROUP WITH CONCERNED BRITISH OFFICIALS AND WITH FORMER OFFICIAL OF FIRM. STRUCTURE OF GROUP IS EXTREMELY COMPLICATED, INCLUDING ARCANE SCOTTISH PARTNERSHIP TAX SHELTERS, US, UK, FRG, ISRAELI, AND PANAMANIAN COMPANIES, AN AUSTRALIAN BEEF RANCH, A FISHERIES FIRM AND AN INSURANCE COMPANY. UK DEPARTMENT OF TRADE COMPANIES INSPECTORATE HAS NOT TAKEN ACTION TO INSTALL A LIQUIDATOR BECAUSE CREDITOR ARRANGEMENTS OF MFC ARE SUCH AS NOT TO HAVE MADE IT AS YET IN THE INTEREST OF ANY CREDITOR TO PUSH FOR A LIQUIDATION. FURTHERMORE, INFORMATION IN HANDS OF COMPANIES INSPECTION BRANCH HAS NOT REVEALED EVIDENCE OF FRAUDULENT ACTIVITIES WITHIN UK. BRANCH WOULD BE PREPARED TO RESPOND TO OFFICIAL SEC REQUESTS FOR INFORMATION OR ACTION. UK DEPARTMENT OF INDUSTRIES ALREADY STANDS TO LOSE 10 MILLION POUNDS ON SHIPBUILDING GUARANTEES EXTENDED FOR MFC. MATERIAL ON MFC GROUP FROM A SOURCE WISHING TO REMAIN ANONYMOUS WAS FORWARDED TO SEC IN EMBASSY POUCH DURING FIRST WEEK OF AUGUST. FORMER OFFICIAL OF FIRM CLAIMS DIRECTORS MERIDOR AND BRENER OF MFC ARE PRESENTLY MAKING ASSETS OF FIRM LIQUID IN THE PROCESS OF SYPHONING OFF

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 13162 01 OF 02 201708Z

FUNDS AND THAT WITHIN TWO TO THREE WEEKS OPERATION WILL BE

COMPLETE SO THAT STOCKHOLDERS WILL HAVE NOTHING. HE HAS TRIED TO URGE UK TO APPOINT LIQUIDATOR AND FREEZE FUNDS AND CLAIMS THAT IF SEC DOES NOT MOVE IMMEDIATELY ANY PROSECUTION OF MFC AND OF UNIVERSAL GAS AND OIL CO. CASES TO BENEFIT STOCKHOLDERS WILL BE IN VAIN. END SUMMARY.

1. EMBASSY CONTACTED VARIOUS OFFICIALS IN UK DEPARTMENTS OF TRADE AND OF INDUSTRY. IF SEC WISHES TO OBTAIN DETAILED INFORMATION ON UK FIRMS IN THE MFC GROUP, SUGGEST IT CONTACT MR. H. C. GILL, COMPANIES INSPECTION BRANCH, DEPARTMENT OF TRADE, GAVRELLE HOUSE, 2-14 BUNHILL ROW, LONDON ECL Y8LL, TELEPHONE 606-4071, X 41, AND MR. H. M. LANYON, DEPARTMENT OF INDUSTRY, SHIPBUILDING POLICY DIVISION SBP-5, RM. 1932, MILLBANK TOWER, LONDON SWL, TELEPHONE 211-6566. THE FORMER COMPTROLLER OF MFC, INSTALLED BY HENSEL DURING HIS BRIEF CONTROL OF MFC, IS AMCIT WILLIAM C. WHITE, 41 WILLOW ROAD, LONDON NW3, TELEPHONE 794-9736. EMBASSY UNDERSTANDS THAT IF APPROACHED BY SEC HE WOULD COOPERATE IN AN INVESTIGATION.

2. AFFAIRS OF MARITIME FRUIT CARRIERS, INCLUDING POSSIBLE MERGER INTO NEW BERMUDA COMPANY WITH JAMES SHERWOOD'S SEA CONTAINERS, INC., TO RUN REEFER SHIPS, HAS BEEN FREQUENTLY DISCUSSED IN PRESS. EMBASSY HAS STRONG IMPRESSION FROM VARIOUS SOURCES THAT IMPENDING FAILURE OF MFC DOES INVOLVE IMPROPER OR FRAUDULENT ACTIVITIES, BUT APPARENTLY NOT DIRECTLY WITHIN THE UK COMPANIES THEMSELVES. COMPLICATED STRUCTURE OF GROUP IS ONLY PARTLY CLEAR TO UK AUTHORITIES WHO HAVE NOT PURSUED THEIR INVESTIGATIONS OUTSIDE UK. EMBASSY CAN ONLY ATTEMPT HERE TO SUMMARIZE OUR UNDERSTANDING OF COMPANY ORGANIZATION OF GROUP AND ALLEGATIONS MADE AGAINST IT.

3. MFC ITSELF IS AN ISRAELI COMPANY WHICH MERIDOR AND BRENER FOUNDED AND WERE PRINCIPAL DIRECTORS. THEY REPORTEDLY HOLD 39 OF THE STOCK. ITS SUCCESS WAS BASED ON BUILDING REEFER SHIPS AND LEASING THEM ON TIME CHARTERS TO SALEN, A SWEDISH SHIPING FIRM. IT HAD ABOUT 40 SUCH SHIPS. EACH OF THE SHIPS IN THE UK FLEET OF 16 WAS OWNED BY A SEPARATE UK COMPANY, USUALLY A SCOTTISH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 13162 01 OF 02 201708Z

PARTNERSHIP, INVOLVING A TAX PARTNER WHO GAINED FOR TAX PURPOSES THE ADVANTAGE OF THE RAPID DEPRECIATION ON THE VESSEL. THESE ARRANGEMENTS INVOLVED A BRITISH TAX FEATURE CALLED GROUP RELIEF, AND ONE OF THE ALLEGATIONS MADE AGAINST MERIDOR IS THAT A VERY HIGH COMMISSION OF \$5 MILLION WAS PAID TO A RELATIVE OF HIS NAMED ROZILITZ IN A SALE OF GROUP RELIEF AND THAT THE FUNDS REALIZED FROM THE SALE WERE HIDDEN THROUGH A TRANSFER INTO A

PANAMANIAN COMPANY OF THE GROUP, PAN MARITIME. THE UK

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LONDON 13162 02 OF 02 201709Z

65

ACTION EUR-12

INFO OCT-01 ISO-00 L-03 SEC-01 EB-07 COME-00 /024 W

----- 066824

R 201655Z AUG 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4759

LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 13162

PROVIDED FINANCE GUARANTEES FOR THE CONSTRUCTION OF 8 OF THE REEFER VESSELS. THREE WERE PAID OFF BEFORE MFC'S TROUBLES, BUT 7.5 MILLION POUNDS REMAINS DUE TO BANKS HAVING UK GUARANTEES ON THE OTHER FIVE. THESE HAVE ALL BEEN SEIZED AND RATHER THAN SELL THEM TO PAY OFF THE MORTGAGES UK WILL CONTINUE TO CHARTER THEM TO SALEN AS "MORTGAGEE IN POSSESSION." OVER TIME UK EXPECTS TO RECOUP MONEY IT MAY HAVE TO PAY OUT UNDER GUARANTEES. WHERE UK EXPECTS TO LOSE 10 MILLION POUNDS OR MORE IS ON GUARANTEES AND COMMITMENTS TO GUARANTEE ON 6 TANKERS WHICH MFC COMPANIES HAD IN VARIOUS STAGES OF PLANNING OR CONSTRUCTION. ALTHOUGH THERE ARE NUMEROUS CREDITORS OF MFC COMPANIES, NONE HAS MOVED FOR LIQUIDATION OF GROUP BECAUSE THEY EITHER HAVE A SHIP TO ATTACH OR BELIEVE THAT THEIR LEGAL COSTS WOULD EXCEED WHAT THEY COULD RECOVER. THE ONE UK FIRM OF GROUP THAT HAS SOME ASSETS IS SWAN MARITIME, 75 PERCENT OWNED BY MFC AND 25 PERCENT BY SWAN-HUNTER, THE LARGE UK SHIPBUILDER. THIS FIRM HANDLED THE SHIPBUILDING ORDERS AND GAINED SOME SURPLUS IN SELLING SHIPS TO THE SOVIET UNION THROUGH A CAYMAN ISLAND FIRM, NIKREIS MARINE. THE VIRTUE OF THE MFC WAY OF BUILDING WAS THAT INSTEAD OF SELLING THE SHIP IT SOLD THE COMPANY, INCLUDING THE FAVORABLE UK FINANCING (8 YEARS AT 8 PERCENT).

4. OUTSIDE THE UK, THE GROUP'S ORGANIZATION IS UNCLEAR. THE PANAMANIAN COMPANY PAN MARITIME SEEMS TO BE AN IMPORTANT ELEMENT SINCE IT WAS USED TO OBTAIN LARGE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 13162 02 OF 02 201709Z

AMOUNTS OF FUNDS FROM MEXICAN INVESTORS. ANOTHER ELEMENT IS UNIVERSAL GAS AND OIL (UGO) WHICH IS APPARENTLY AN MFC OWNED SUBSIDIARY IN THE US. OTHER DISPARATE ELEMENTS ARE AN AUSTRALIAN BEEF RAISING VENTURE CALLED UNIBEEF, A FIRM CALLED ATLANTIC FISHERIES, AND AN UNNAMED INSURANCE COMPANY. THE MFC REEFER FLEET WAS DIVIDED AMONG THE UK, ISRAEL AND THE FRG. THE UK AND ISRAELI SHIPS HAVE ALL BEEN SEIZED FOR THE CREDITORS, BUT BY SOME QUIRK OF GERMAN LAW THE REEFER SHIPS OF GERMAN REGISTRY HAVE BEEN INSULATED FROM SEIZURE. AN ALLEGATION IS THAT MERIDOR AND BRENER ARE IN THE PROCESS OF SELLING OFF MFC'S INTEREST IN THE GERMAN INTERMARE GROUP, THE GROUP THE EMBASSY SUPPOSES HAS CONTROL OF THE GERMAN SHIPS, AND WILL BE MOVING AS MUCH AS \$10 MILLION THROUGH THE MFC STRUCTURE DURING THE NEXT FEW WEEKS.

5. MFC'S TROUBLES BEGAN AT THE END OF LAST YEAR WHEN IT FAILED TO PAY ITS CREDITORS. MESSRS. MERIDOR AND BRENER REMOVED THEMSELVES FROM THE BOARD AND A DISTINGUISHED AMERICAN LAWYER NAMED HENSEL BECAME PERMANENT DIRECTOR. HE TALKED TO THE CREDITORS, STAVED THEM OFF, PROPOSED A MORATORIUM FOR EACH OF THE INDIVIDUAL REEFER COMPANIES, AND GENERALLY DEVELOPED CREDITOR CONFIDENCE THAT THE GROUP COULD BE SAVED. PRICE WATERHOUSE WAS BROUGHT IN TO DEVELOP A PLAN TO STRETCH OUT THE DEBT REPAYMENT AND THE UK GOVERNMENT GAVE THE GROUP A SIX MONTH MORATORIUM. THEN ABRUPTLY IN JULY, MERIDOR AND BRENER REASSUMED POSITIONS ON THE MFC BOARD AND HENSEL WAS DEPOSED. WITH HENSEL'S DEPARTURE, CREDITORS' CONFIDENCE EVAPORATED AND THE SHIP SEIZURES AND SALES BEGAN.

6. HENSEL HAD BEEN WORKING TO GET AN INFUSION OF NEW CAPITAL OR SOME OTHER SOLUTION. CUNARD HAD PROPOSED TO BUY THE WHOLE UK REEFER FLEET, BUT A GROUP HEADED BY A VENEZUELAN NAMED RABBETZ, THE MORENO GROUP, PROPOSED TO PUT IN \$15 MILLION AND TAKE CONTROL ON THE CONDITION THAT MERIDOR AND BRENER WOULD BE BOUGHT OUT. THIS MAY HAVE BEEN THE REASON THEY REASSUMED CONTROL AND REMOVED HENSEL BUT RUMOR ALSO HAS IT THAT THE CRISIS WAS PRECIPITATED WHEN HENSEL DEMANDED THE BOOKS AND PAPERS OF PAN MARITIME SINCE THEN SEA CONTAINERS HAS BEEN URGING A NEW MORATORIUM LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 13162 02 OF 02 201709Z

IUM TO THE CREDITORS OF THE REEFER SHIP COMPANIES AND PROPOSES TO PUT AS MANY OF THEM AS POSSIBLE INTO A NEW JOINT COMPANY FORMED BY MFC AND SEA CONTAINERS. HIS PROPOSAL DOES NOT SEEM LIKELY TO RECEIVE SUPPORT OF THE UK CREDITORS.

7. REPORTEDLY, ACCUSATIONS WERE EARLIER MADE AGAINST MFC THROUGH N.Y. LAWYERS PAUL, WEISS, RIFKIND, /WHARTON AND GARRISON. AN ENVELOPE OF MATERIAL RELATING TO MFC WAS TRANSMITTED THROUGH THE EMBASSY POUCH TO THE SEC DURING THE FIRST WEEK OF AUGUST FROM AN INFORMANT WHO REQUESTED TO REMAIN ANONYMOUS. THE ABOVE REPRESENTS THE SUBSTANCE OF WHAT UK OFFICIALS, THE PRESS AND OTHERS HAVE TOLD THE EMBASSY. THE EMBASSY IS PREPARED TO ASSIST SEC INVESTIGATORS IF THE SEC DECIDES TO PURSUE THE MATTER.

ARMSTRONG

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SHIPBUILDING INDUSTRY, DIPLOMATIC DISCUSSIONS, ALLEGATIONS, BANKRUPTCIES, FRAUDS, LIQUIDITY (MONETARY)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 AUG 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** coburnhl  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976LONDON13162  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760320-0057  
**From:** LONDON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760835/aaaabdpd.tel  
**Line Count:** 241  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 202310  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** coburnhl  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13 MAY 2004 by GarlanWA>; APPROVED <09 SEP 2004 by coburnhl>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SEC INTEREST IN MARITIME FRUIT CARRIERS CO., LTD. AND UNIVERSAL GAS AND OIL CO., INC.  
**TAGS:** ETRD, UK, US, SEC, MARITIME FRUIT CARRIERS CO, UNIVERSAL GAS & OIL CO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006